

# BUDGET LETTER

	<b>NUMBER:</b> 03-38
<b>SUBJECT:</b> 2004-05 GENERAL ADMINISTRATIVE COSTS (PRO RATA) AND 2004-05 STATEWIDE COST ALLOCATION PLAN (SWCAP)	<b>DATE ISSUED:</b> October 6, 2003
<b>REFERENCES:</b>	<b>SUPERSEDES:</b> BL 02-36

TO: Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**Note: This Budget Letter (BL) provides new information in Section I "Changes to the 2004-05 Pro Rata and SWCAP plans"**

## I. Changes to the 2004-05 Pro Rata and SWCAP plans

Two new functions have been added. They are:

- Function 011 (Technology Oversight and Security Unit)
- Function 725 (Secretary for Labor and Workforce Development Agency)

One function was removed:

- Function 100 (Department of Information Technology)

The following functions include an adjustment for prior year costs and will not be in the 2005-06 plans.

- Function 150 (California Homepage)
- Function 151 (State E-mail)
- Function 152 (Network Infrastructure)

The sunset of the Department of Information Technology resulted in the elimination of function 100. In addition, the costs associated with functions 150, 151, and 152 are now billed directly by the Teale Data Center to State departments.

The Pro Rata plan for State fiscal year 2003-04 has been revised. The revision includes the elimination of the 2004-05 estimate costs for functions 150, 151, and 152. Please review the Department of Finance (Finance) website listed below for the revised 2003-04 Pro Rata allocations. Departments' budgets will be adjusted accordingly based on the revised Pro Rata plan.

## II. General Administrative Costs (Pro Rata)

Pro Rata is the apportionment of central service agencies administrative costs (e.g., Finance, Controller, Personnel Board, Legislature) incurred by the General Fund and billed to other funds. The reports are available at:

[http://www.dof.ca.gov/FISA/PROSWCAP/prorata\\_detail\\_reports.htm](http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm)

Accurate budgeting of the Pro Rata assessment(s) is the responsibility of each department. The department's existing baseline budget for a specific fund(s) must reflect the Pro Rata assessments. The Supplementary Schedule of Operating Expenses and Equipment (DF-300) must reflect the correct 2004-05 Pro Rata assessment. For Pro Rata, use Uniform Codes Manual (UCM) number 330438. Finance budget analysts will work with departments to ensure that appropriate funding adjustment(s) are made and verify that the DF-300 accurately reflects the Pro Rata assessment(s).

Departments are responsible for the State's full cost recovery policy. The total billable and non-billable allocation is used as the statewide indirect cost component of a department's rate structure when billing clients that do not receive federal funds. See State Administrative Manual (SAM) Sections 8752-8758 for instructions on the billing process and cost components.

Quarterly, the State Controller's Office transfers the Pro Rata assessment for billable funds.

### **III. Statewide Cost Allocation Plan (SWCAP)**

SWCAP is the apportionment of central service agencies administrative costs (e.g., Finance, Controller, Personnel Board, Justice) incurred by the General Fund and billed to federal funds.

Departments must ensure that SWCAP recoveries are included in their budgeted federal receipts. To the extent that federal fund receipts can be adjusted under applicable federal laws to reflect changes in SWCAP apportionments, planning estimates for federal funds need to be adjusted to reflect changes from prior levels. The DF-300 must reflect the correct 2004-05 SWCAP amount. Finance budget analysts will work with departments to ensure that appropriate funding adjustment(s) are made and verify that the DF-300 accurately reflects the SWCAP amount. For SWCAP, use UCM number 330439. The SAM Sections 8755 et seq. explains the responsibility to recover and transfer SWCAP recoveries to the General Fund.

The SAM Sections 8756 et seq. require each department that receives federal funds to prepare and submit an Indirect Cost Rate Proposal (ICRP) to Finance, Fiscal Systems and Consulting Unit (FSCU) – Pro Rata and SWCAP (FSCU – Pro Rata and SWCAP) for review and approval prior to sending the ICRP to the department's cognizant federal agency. ICRPs are due to FSCU – Pro Rata and SWCAP six months prior to the fiscal year that the rates apply. ICRPs must be consistent with the State's Full Cost Recovery policy, as defined in SAM Section 8752.

### **IV. Full Cost Recovery**

A department, which provides goods or services to others, is required to recover full costs (the department's direct and indirect costs and the central service costs), as provided by SAM Sections 8752 and 8752.1. Typically, departments have an indirect cost rate that is considered when determining full costs. As such, any fees that a department charges for goods or services rendered must be sufficient to recover the full costs of the goods or services. Due to variations in costs of personnel service, overhead, and inflation, a department must have a process or procedure in place to periodically review and update fees charged.

### **V. Training**

FSCU sponsors workshops on Pro Rata, SWCAP, and ICRPs, including information on federal Circular A-87. State department accounting and budgeting staffs are encouraged to attend. Please review the upcoming schedule of workshops and register for the workshops on our website at <http://www.dof.ca.gov/fisa/proswcap/trainingstate/courselist.asp>.

Additional information on Pro Rata, SWCAP, ICRPs, and many other items are available at the website: <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, contact Carlos Diaz at (916) 445-3434, extension 2144 or e-mail: [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov). For SWCAP and ICRP assistance, contact Nuno Da Luz at (916) 445-3434, extension 2139 or e-mail: [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov).

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### Upcoming Budget Letter

- Control Section 3.60 Adjustments